

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7317

BILL NUMBER: HB 1531

DATE PREPARED: Dec 28, 2000

BILL AMENDED:

SUBJECT: Related Corporations Sales Tax Deduction.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows a deduction from Sales Taxes due for receivables of an entity that is a member of the same brother-sister controlled group as the retail merchant.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Revenues: There could be a minor reduction in Sales Tax revenue as a result of this proposal. Currently, the Department of State Revenue allows the deduction for receivables which are written off as uncollectible for federal tax purposes to retail merchants. The deduction is not allowed if the receivable has been assigned to a related ("brother-sister") entity. This bill would provide the deduction to the related entity if the receivable is written off as uncollectible for federal tax purposes.

In addition, should the related entity subsequently collect the receivable, it must report the amount as gross retail income and remit sales tax accordingly.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue, Tom Conley, 232-2107.